

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
PUBLIC SAFETY SERVICES
STATE OF LOUISIANA



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Louisiana Legislative Auditor

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Department of Public Safety and Corrections - Public Safety Services

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Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections – Public Safety Services (DPS) was to evaluate certain controls DPS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated DPS's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of DPS's controls and our understanding of related laws and regulations, as well as the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, capital assets, amusement ride fees, payroll and personnel, LaCarte purchasing card expenditures, expenditures of the Louisiana Highway Safety Commission (LHSC), and statutory dedications.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in DPS's management letter report dated December 21, 2016. We determined that management has resolved the prior-report finding related to Inadequate Internal Audit Function. The prior-report finding related to Lack of Controls over Federal Cash Management has not been resolved and is addressed again in this report.

Current-report Findings

Lack of Adherence to Controls over Payroll

DPS employees did not adhere to established controls over payroll to ensure time sheets are accurately recorded, timely certified and approved, and reflect hours actually worked. Two

agencies within DPS reported instances of possible employee misappropriations related to payroll.

- On April 30, 2018, two current and two former Louisiana State Police (LSP) troopers were arrested based upon falsified time sheets related to the Local Area Compensated Enforcement program. The charges for the four troopers included six counts of violations of Louisiana Revised Statute (R.S.) 14:133 - filing false public records, 88 counts of violations of R.S. 14:132 - injuring public records, two counts of violations of R.S. 14:67 - felony theft, and two counts of violations of R.S. 14:134 - malfeasance in office. These charges are still under investigation as part of criminal proceedings, and the amount overpaid has not been determined.
- According to an internal audit report issued on May 10, 2018, one LHSC employee claimed an excessive amount of paid overtime for which there was no evidence to support the overtime hours. The employee was paid \$6,750 for 226.5 hours of overtime claimed between April 24, 2017, and July 2, 2017. The issue is currently under investigation by DPS's Internal Affairs.

As a result of the alleged payroll misappropriations, we performed procedures related to payroll and noted the following:

- For DPS employees utilizing electronic time sheets in the Cross-Application Time Sheet (CATS) system, we noted time sheets that were not certified or were not certified timely by the employee. In addition, there was approximately \$4 million in salaries, wages, leave, and overtime paid between July 1, 2016, and March 2, 2018, where the underlying time sheet had not been approved prior to payroll processing. Results by agency are summarized below.

DPS Agency	Total Time Sheets in CATS	Late and Uncertified Time Sheets	Late and Unapproved Time Sheets
Office of Management and Finance	4,483	581 (13%)	1,577 (35%)
Louisiana State Police	645	169 (26%)	225 (35%)
Louisiana Highway Safety Commission	435	190 (44%)	295 (68%)

- The Office of Motor Vehicles (OMV) was transitioning to the CATS system during the period covered by the auditors' procedures. Some employees' time sheets were in the CATS system, while others had physical time sheets. Therefore, it was necessary to perform procedures separate from those noted above for the other agencies. In a test of 32 OMV time sheets, seven (22%) time sheets were not approved by the employees' supervisors. In addition, overtime

hours reported on two of 22 (9%) time sheets did not agree to the amount of overtime paid per the LaGov Human Capital Management (HCM) system, which may have resulted in an underpayment to employees.

- In a test of 20 LSP physical time sheets for employees not utilizing the CATS system, overtime hours reported on one (5%) time sheet did not agree to the amount of overtime paid per the LaGov HCM system, which may have resulted in a \$1,069 overpayment to the employee.

DPS payroll policy requires time sheet approvers to ensure entries are submitted by subordinate employees by the close of the applicable pay period. Approvers are also responsible for reviewing certified time sheets for accuracy and immediately approving or rejecting the certified time statement. Action should be taken on time sheets no later than the Wednesday following the close of the pay period.

DPS employees did not adhere to controls over payroll, particularly overtime, to prevent or timely detect claiming overtime hours not actually worked. As a result, there is an increased risk that errors and/or fraud could occur and not be detected in a timely manner.

Management should ensure employees comply with existing policies and procedures including properly certifying and approving time sheets in a timely manner. In addition, management should maintain adequate documentation to support overtime payments. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Noncompliance with State Law over New Orleans Public Safety Funds

DPS was unable to provide support to determine that statutorily dedicated funds totaling approximately \$2.4 million were spent for public safety services in the New Orleans area as required.

In fiscal year 2017, LSP was appropriated approximately \$2.4 million from the New Orleans Public Safety Fund, which are statutorily dedicated funds. R.S. 40:1402 restricts use of the funds to public safety services, including patrol and law enforcement, in a specific area within the city of New Orleans.

Based upon information obtained from DPS's accounting system, DPS's Office of Management and Finance utilized the funds for automobile supply expenditures. However, DPS could not provide support that the supplies were related to public safety services in the New Orleans area. No funds were appropriated in fiscal year 2018.

Management should ensure that statutorily dedicated funds are expended in accordance with state law and documentation supporting those expenditures is maintained. Management did not concur with the finding and asserts that the funds were expended in accordance with the statute. Management explained that it prepared a single journal voucher to cover fuel costs equal to the amount budgeted from the New Orleans Public Safety Fund. This was done as a mechanism to replace other state dollars that were used to pay unreimbursed expenses incurred prior to the

funding from the New Orleans Public Safety Fund being made available (see Appendix A, pages 3-4).

Additional Comments:

Without proper supporting documentation, we cannot determine that the funds spent on fuel were expended for the intended purposes as established by statute.

Weaknesses in Controls over Louisiana State Police Property

LSP did not ensure that all property purchased by the department was timely tagged and recorded in the state property system and properly safeguarded in accordance with state property regulations.

The Louisiana Administrative Code requires all movable property items having an original acquisition cost of \$1,000 or more to be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information forwarded to the Louisiana Property Assistance Agency (LPAA) within 60 calendar days after receipt of the items.

Our procedures disclosed the following weaknesses in controls:

- The annual property certification submitted by LSP for 2017 was disapproved by LPAA due to the number of unlocated sensitive items. The unlocated items included eight bulletproof vests and two firearms.
- An inventory of unassigned assets, such as firearms and vests, are maintained at the Armory at LSP Headquarters and the Joint Emergency Services Training Center in Zachary, Louisiana. Temporary assignments are not documented in LPAA's Asset Management Platform (AMP) system, nor are logs maintained to track the temporary assignment of these items.
- In a test of 43 assets, five items (12%) did not have an LPAA asset tag properly affixed to the physical item. The items included a trailer, a vehicle, and three firearms. Per state property regulations, should tagging not be possible, the number should be written in indelible ink or inscribed on the items with a small engraving tool.
- Based on the information in AMP as of February 27, 2018, there were 470 items valued at almost \$11 million entered into AMP between 62 and 1,767 days after receipt. Of the 470 items, 379 were vehicles for which the department's fleet operations considers the purchase order date to be the date of acquisition rather than receipt date when entering the items in AMP.
- We identified 53 items totaling \$118,073 in AMP as of February 5, 2018, that were listed as assigned to LSP employees who retired, resigned, transferred, or were dismissed from employment. While the department asserts that it retained possession of the assets, LSP did not timely update the asset location/employee

responsible field in AMP. The days between separation from the agency and change in the system ranged between 11 and 633 days.

- For 23 of the 23 items tested, the receiving dates in AMP did not agree to the receiving dates in the state's accounting system known as LaGov. The receiving dates of property entered into AMP could not be supported by receiving reports.
- In a test of 23 movable property purchases, the acquisition cost entered into AMP for three (13%) of the items did not agree to the invoice amounts of the purchases. The cost of one asset was overstated by \$20,075, and the total cost of two assets was understated by \$200.

LSP's movable property function is hampered by inaccurate and incomplete information included in AMP; the decentralization of movable property at various locations, combined with a lack of accountability and training of property custodians; and a lack of detailed uniform movable property policies and procedures across locations. Failure to comply with state property regulations increases the risk that assets may be misreported, lost, or stolen.

LSP management should ensure that information included in AMP is accurate and complete; establish uniform movable property policies for all locations through training and guidance; utilize logs for temporary assignment of assets; and establish centralized receiving locations. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Noncompliance with LaCarte Purchasing Card Policies and Procedures

In April 2018, an employee of DPS Office of Management and Finance was arrested for violating R.S. 14:67, felony theft of public assets greater than \$1,000 but less than \$5,000, and R.S. 14:134, felony malfeasance in office. The employee was a corporate liability LaCarte cardholder that was responsible for purchasing various items for all DPS agencies in his capacity as a maintenance superintendent. The employee is alleged to have made personal purchases with the LaCarte card. His employment with DPS has been terminated.

As a result of the alleged misappropriation, we performed procedures to review controls over LaCarte purchases by cardholders within the Office of Management and Finance and noted the following:

- Of the 2,591 LaCarte card transactions occurring between July 1, 2016, and April 30, 2018, 10 transactions totaling \$6,344 had not been approved by the cardholder's supervisor, and another 257 transactions totaling \$103,807 were approved between 6 and 500 days after the required approval date. Per department policy, the approver must review and approve transaction information, including supporting documentation, for the previous billing cycle by the 11th of the month.
- In a review of 28 LaCarte card purchases, four of five items purchased that met the \$1,000 threshold for movable property were not tagged or entered into the

asset management system as required by Louisiana Administrative Code 34, Part VII, §307. The items had a total cost of \$8,541. Upon inquiry, agency personnel noted that it is the responsibility of the LaCarte cardholder to request tags for purchases meeting the movable property threshold. Furthermore, there is no reconciliation of acquisitions to the asset management system.

- Purchases totaling \$31,574 may have been unnecessarily divided into separate transactions on LaCarte purchasing cards. On four separate occasions, multiple payments under \$5,000 were made on the same day or within two days of each other to the same vendor for roofing repairs or warehouse supplies. The aggregate cost of the payments ranged from \$5,274 to \$11,900. State regulations require price quotations to be solicited from three or more qualified vendors for purchases exceeding \$5,000. Furthermore, the department allows a maximum Single Purchase Limit of up to \$5,000 on the LaCarte card.
- Of the 28 LaCarte card purchases reviewed, DPS could not provide adequate support for two purchases in the amount of \$2,394.

DPS employees did not adhere to department policies and procedures requiring adequate support and timely review of purchases made on the LaCarte card, and ensuring that purchases are not artificially divided. In addition, DPS does not have controls in place to ensure that movable property purchased with the LaCarte card is properly tagged and entered into the LPAA AMP system. Weaknesses in controls over LaCarte purchases and noncompliance with state and department policies increases the risk that errors and/or fraud could occur and not be detected in a timely manner, and leaves assets improperly safeguarded.

Management should strengthen controls to ensure LaCarte purchases are adequately supported, reviewed and approved timely, and procured in accordance with state regulations and department policy. Management should also ensure that movable property is properly tagged and entered into the LPAA AMP system in accordance with state regulations. In addition, management should seek restitution from the terminated employee. DPS management's response mentions that corrective action, where applicable, has been completed, but management did not concur with a reportable finding based on the exceptions noted (see Appendix A, pages 7-9).

Misappropriation of Funds by Office of Motor Vehicles Employees

Upon investigation by OMV management, it was determined that OMV employees had diverted public funds for personal use and violated state laws. Between March 2017 and June 2017, three OMV employees were arrested for theft of public assets. In addition, an employee of a Public Tag Agent (PTA) contracting with the department was arrested for computer fraud and filing or maintaining false records.

The OMV employees are alleged to have misappropriated at least \$98,507 in customer payments at various field offices. Thefts occurred in petty cash, daily deposits, and reinstatement transactions. All three OMV employees were terminated. The PTA employee, who issued invalid driver's licenses for cash, is banned from working for OMV or another PTA, and the

contract with the PTA was cancelled. This is the third year since 2014 that we have reported misappropriations of funds by OMV employees.

OMV management should increase management oversight and strengthen cash handling procedures. In addition, management should seek restitution from the terminated employees. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 10-11).

Lack of Adherence with Policies and Procedures over Office of Motor Vehicles Cash

OMV employees did not adhere to existing policies and procedures over cash to ensure that errors or the misappropriation of public funds are prevented or timely detected.

Per OMV Administrative Procedures Policy 6.03, it is the responsibility of the office manager/supervisor to ensure that certain reports are balanced each day. The policy also requires void documentation to include the reason for the void as well as the signature of the operator and manager/supervisor. In addition, a directive from OMV management requires office managers to perform and document weekly audits of employees, including an audit of the cash drawer. Regional managers are also required to perform such audits quarterly.

As a result of OMV employee misappropriations occurring during 2017, we performed procedures at seven OMV field offices to determine if controls over daily close procedures and voids are in place and operating, and if regional and field office managers are monitoring operations as prescribed by department policies. Our procedures disclosed the following:

- In a review of 30 daily close packets, we noted 22 packets (73%) did not contain all of the documents as required by department policy. In addition, five (17%) of the daily close packets did not include the required signatures to indicate supervisor review. Daily close packets consist of documentation and reports that support the transactions occurring each day at the OMV offices.
- In a review of 63 voided transactions, eight voids (13%) did not have evidence of review and approval by a supervisor, and nine transactions (14%) did not include a reason for the void.
- In addition to the above discrepancies, field offices could not provide documentation for seven daily close packets, which included 15 voided transactions, requested for dates between July 2016 and February 2017. We were informed by OMV personnel that these files had been purged prior to our site visits in March and April of 2018.
- Four of seven field offices did not have documentation to support that the regional manager completed all of the required quarterly site visits. Two of seven field offices were unable to provide evidence of regular transaction audits by the office manager. Five of seven field offices did not have evidence that cash drawer audits were conducted consistently.

In addition to the results of our procedures detailed above, we noted a general inconsistency in the application of policies and procedures between the various field offices. Lack of consistent management oversight and controls over handling cash increases the risk that errors or fraud could occur and not be detected in a timely manner, leaving assets improperly safeguarded.

OMV management should ensure that policies and procedures for management oversight and handling cash are clearly documented and consistently implemented. Also, OMV management should consider revising record retention schedules to specifically address daily close documentation to ensure documentation is retained in accordance with state record retention laws. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 12-13).

Inadequate Control over the Office of State Fire Marshal Amusement Ride Inspection Fees

The Office of the State Fire Marshal (OSFM) within DPS did not have adequate controls in place to ensure that all amusement ride inspection fees were collected, appropriately supported, and timely deposited in accordance with state regulations.

OSFM is responsible for regulating the testing, inspection, and operation of inflatable amusement devices, amusement attractions, and amusement rides to prohibit the use of such devices, attractions, and rides when they have not been properly registered, have not received a proper and timely certificate of inspection, and have not received a set-up inspection as described within R.S. 40:1484. In carrying out these duties, the fire marshal is authorized to assess and collect fees for annual registrations and inspections for each amusement ride on the site of operation.

Our procedures on amusement ride fee collections disclosed the following:

- OSFM did not increase the \$150 annual registration fee for adult rides to \$200, which was authorized by R.S. 40:1484.18 and became effective on August 1, 2016. Failure to increase the fee as authorized resulted in forgone revenues of approximately \$28,500 for the period between August 2016 and June 2018.
- In a review of 27 amusement events scheduled for set-up inspection, OSFM was unable to provide any supporting documentation that a set-up inspection took place or that the related fees were collected for five of the events occurring between November 2016 and April 2018. The estimated fees related to these five events are \$820.
- Supporting documentation for three of the 22 events tested indicated that, in addition to the invoiced amounts, two set-up inspections and 10 annual registrations were submitted for these events, but fees of approximately \$1,290 for these services were not included on the related invoices.
- Six of the 22 events tested did not have adequate documentation to support that the inspections were performed and accurately billed for the scheduled event.

Inadequate documentation included inspection forms with missing owner/operator signatures, incorrect dates, and no indications that invoiced annual registrations were performed.

- For all 22 events tested, the fees collected were not deposited immediately in the State Treasury as required by the Article VII, Section 9 (A) of the Louisiana Constitution. The Office of Statewide Reporting and Accounting Policy generally defines “immediately” as within 24 hours of receipt. Fees totaling \$17,690 were deposited between 3 and 41 days after collection.

OSFM does not have written policies for the collection of amusement ride inspection fees to ensure that procedures and supporting documentation submitted to OSFM are consistent among inspectors. In addition, reconciliations are not being performed to ensure that adequate supporting documentation and fee collections for scheduled events are received and deposited timely. Lack of controls over fee collections and deposits increases the risk that fraud and/or errors could occur and not be detected in a timely manner.

OSFM management should ensure that policies and procedures are adequately designed and consistently implemented to properly safeguard fee collections, ensure adequate documentation is submitted and retained, and deposits are made timely. Management’s response described the difficulties that OSFM is encountering and time required to properly implement the changes to R.S. 40:1484, which were effective August 1, 2016. Management noted that OSFM is in the process of licensing individuals and firms; registering devices, attractions, and rides; and developing procedures for all activities prescribed within the new law (see Appendix A, pages 14-18).

Additional Comments:

Management noted that the agency does not “perform annual registrations.” The terminology used in the finding was taken directly from OSFM invoices that stated these services were provided; however, there was no evidence that fees were assessed. Therefore, the collections and the supporting documentation for these events were inconsistent. Although OSFM mentions that it does not “perform annual registrations,” OSFM provided the auditors with invoices that included annual registration fees that were collected and deposited.

Inadequate Controls over the Administration of Federal Awards at the Louisiana Highway Safety Commission

An internal audit report issued on May 10, 2018, by DPS identified multiple issues related to the administration of LHSC federal awards it receives from the National Highway Traffic Safety Administration (NHTSA). The internal audit report noted that LHSC lacks adequate controls over the federal voucher processes as well as subgrantee claims and claim processing. The DPS internal audit report identified issues over the administration of these federal awards including, but not limited to, the following:

- In a review of 33 subgrantee claims for the period of July 1, 2016, through June 30, 2017:

- Five (18%) of the claims were missing adequate supporting documentation or information, such as proof of payment or required signatures.
- On seven occasions, LHSC requested reimbursement from the federal grantor for subgrantee claims prior to paying the claim.
- Internal Audit was unable to verify the accuracy of the reimbursement amount for a claim of \$90,509 submitted by the Louisiana State Police due to insufficient supporting documentation.
- In a review of eight vouchers submitted to NHTSA for reimbursement of the agency's expenditures during fiscal year 2017:
 - LHSC overcharged NHTSA \$20,470 for administrative expenses that were claimed at 100% instead of the 50% federal share rate and for other amounts charged to the program in error.
 - LHSC overcharged NHTSA \$30,754 for payroll expenses that were claimed at 100% instead of the 50% federal share rate and \$5,396 for employees' overtime charged to the program in error. In addition, the internal auditors identified \$38,576 in other payroll related expenditures that could have been charged to the federal programs.
 - LHSC overcharged NHTSA for travel expenses totaling \$8,808 due to duplicate or disallowed charges, travel adjustments, and amounts claimed at 100% instead of the 50% federal share rate.

LHSC did not have adequate controls in place to ensure that claims were accurate, fully supported, made for the purpose of the grant, and paid prior to submitting a voucher to the federal grantor. In addition, vouchers submitted to the federal grantor were not in compliance with the grant award requirements. Inadequate controls over the administration of federal program awards may result in disallowed costs.

LHSC management should ensure that grant funds are expended only in a manner that carries out the goals and objectives identified in the grant and all expenses submitted for reimbursement are reviewed for accuracy, authorization, completeness, and compliance with federal award regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 19-20).

Inadequate Controls over Expenditures of the Louisiana Highway Safety Commission

An internal audit report issued on May 10, 2018, by DPS noted that LHSC did not have adequate controls over expenditures to safeguard public resources, ensure transactions were for state business purposes, and complied with state laws and regulations. The internal audit report identified the following:

- State funds were used to pay for a \$1,500 sponsorship to the Louisiana Legislative Black Caucus Foundation – 2016 Bayou Classic Scholarship Jazz Brunch. LHSC purchased 10 tickets to the brunch; however, DPS Internal Audit could not account for eight of the tickets. Louisiana Constitution Article VII, Section 14 states that funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.
- For fiscal year 2017, LHSC had three separate contracts with one vendor, each under \$50,000, for similar services. In addition, LHSC revised its Highway Safety Plan to increase one contract amount from \$28,500 to \$60,550 without a Request for Proposal. R.S. 39:1621 requires contracts for consulting services that have a total maximum amount of compensation of \$50,000 or more for a 12-month period be awarded through a request for proposal process.
- In a review of 19 expenditure transactions occurring in fiscal year 2017, six of the transactions were not made in accordance with state purchasing regulations. Contractors were erroneously reimbursed for the following: lunch when the meal was provided by the agency (twice); in excess of the daily airport parking fee allowed by state travel regulations; a rental car that was not within the state contracted rate; a rental car with a non-state contracted agency; and hotel rooms when the state had not authorized the vendors.

As a result of the issues identified by DPS Internal Audit, we reviewed 15 expenditure transactions made by LHSC during fiscal year 2018 and noted the following:

- LHSC personnel used the LaCarte card to purchase a music streaming plan for \$199 to download music for use in videos to promote highway safety. However, current personnel are unable to access the plan or determine if it was used for the stated purpose.
- A LaCarte card purchase of Apple software, “Final Cut Pro,” to edit informational videos included state sales tax of \$30 that should have been excluded.

LHSC employees did not follow state policies and procedures governing expenditures. Furthermore, there was inadequate review by approvers to ensure that expenditures charged were reasonable and in compliance with state regulations. Inadequate control over expenditures increases the risks that expenditures will not be made in accordance with state laws and regulations and that errors or misappropriations will not be prevented or detected timely.

LHSC management should properly train and supervise employees to ensure expenditure transactions are made in accordance with state laws and regulations. Management concurred and provided a corrective action plan (see Appendix A, pages 21-23).

Noncompliance with Travel Regulations by the Louisiana Highway Safety Commission

An internal audit report issued on May 10, 2018, by DPS noted that LHSC did not comply with state travel regulations. The internal audit report identified the following issues in its review of fiscal year 2017 travel expenditure transactions:

- Of 46 travel expense reimbursements, 41 (89%) were inaccurate, incomplete, and did not comply with state travel regulations. The exceptions included instances in which the proper authorizations and approvals were not obtained, expenses were not reimbursed within state travel allowances, expenses were reimbursed without supporting documentation, and improper travel expenses were charged.
- Of 194 travel transactions charged to the LaCarte Purchasing Card, 113 (58%) were inaccurate, incomplete, and did not comply with state travel regulations. Exceptions noted included instances in which the proper authorizations and approvals were not obtained, expenses were not reimbursed within state travel allowances, expenses were reimbursed without the required supporting documentation, and improper travel expense reimbursements.
- In addition, LHSC paid for meals totaling \$2,175 for five meetings held throughout the year. For four of the meetings, sign-in sheets to support the number and persons in attendance were either not provided or appeared to have been prepared after the fact. The fifth meeting included a sign-in sheet with 39 signatures, but the invoice included 45 meals for the meeting. State travel regulations require documentation of attendees as justification of the number of meals ordered and the amount per person charged.

LHSC employees did not follow state policies and procedures governing travel expenditures. Furthermore, there was inadequate review by approvers to ensure that expenditures charged were reasonable and in compliance with state regulations. Noncompliance with state policies and procedures over travel expenditures increases the risk of errors or misappropriations that will not be prevented or detected timely.

LHSC management should properly train and supervise employees to ensure that travel expenditure transactions are made in accordance with state laws and regulations. Management concurred and provided a corrective action plan (see Appendix A, pages 24-26).

Lack of Controls over Federal Cash Management

For the third consecutive year, DPS failed to ensure federal funds were drawn according to federal regulations for the Alcohol Open Container Requirements and Minimum Penalties for Repeated Offenders for Driving While Intoxicated federal programs. Expenditures for these programs totaled \$5,639,246 for fiscal year 2017.

We tested transactions recorded on federal reimbursement vouchers between July 1, 2016, and June 30, 2017, for the Alcohol Open Container Requirement and Minimum Penalties for

Repeated Offenders for Driving While Intoxicated programs. Audit procedures disclosed that for nine (15%) of 60 cash draw transactions, the time elapsing between the drawdown of federal funds, and disbursements to subrecipients ranged from 23 to 62 days. DPS did not have adequate controls in place to manage the drawdown of federal funds to minimize the time between the federal draw and disbursement to subrecipients.

Federal regulations require the state to minimize the time between the drawdown of federal funds and the disbursement for federal program purposes. Failure to disburse federal funds to subrecipients timely places DPS in noncompliance with federal cash management requirements. Furthermore, overdrawn grants put the state at risk of federal disallowances for which the state may be liable.

DPS management should ensure controls are in place to minimize the time between the federal draw and disbursement to subrecipients. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 27-28).

Cash

DPS collects cash for various vehicle and driver services provided by OMV field offices located throughout the state. We obtained an understanding of controls over cash at OMV field offices, including transaction processing, recording, and reconciliation; voided transactions; and management oversight of field office personnel. We performed tests of selected transactions, voids, regional management site visits, and office management transaction and cash drawer audits. Findings related to Misappropriation of Funds by OMV Employees and Lack of Adherence with Policies and Procedures over OMV Cash are included in the Current-report Findings section above.

Capital Assets

DPS is responsible for ensuring that state assets at each of its agencies and locations are appropriately safeguarded. We obtained an understanding of controls over capital assets for DPS as a whole. We obtained and reviewed the most recent Certifications of Annual Property Inventory for department assets totaling approximately \$201 million for fiscal years 2017 and 2018 to determine if there was an excess amount of unlocated property. Based on the procedures performed, we did not identify an excess amount of unlocated property for the department.

Due to the sensitive nature and decentralized locations of assets held by LSP and OMV, we performed procedures to determine if assets were safeguarded, timely tagged, and accurately recorded in the LPAA database as required by state property regulations. We also reviewed controls over the assignment of assets to agency personnel to determine if there were adequate controls in place upon separation of employment and transfer of assets. Based on the results of our procedures, a finding on Weaknesses in Controls over LSP Property is included in the Current-report Findings section of this report.

Amusement Ride Fees

R.S. 40:1484.18 authorizes OSFM to collect registration and licensing fees for inflatable amusement devices, amusement attractions, and amusement rides. We compared the total amount collected to the amount classified as revenue in the state's accounting system. We also reviewed a selection of scheduled on-site amusement ride inspections to determine if the event was inspected, the fee was collected and deposited timely, and adequate supporting documentation was retained. Based on the results of our procedures, a finding on Inadequate Control over OSFM Amusement Ride Inspection Fees is included in the Current-report Findings section of this report.

Payroll and Personnel

DPS salaries and related benefits totaled approximately \$281 million annually in fiscal years 2017 and 2018. We obtained an understanding of DPS's controls over the time and attendance function. We analyzed system reports for the time period of July 2016 through February 2018 to determine the timeliness of employee certifications and approvals for those employees of the Office of Management and Finance, LSP, OMV, and the LHSC utilizing the CATS system. We reviewed selected employee time statements and overtime records at LSP and OMV. We also performed procedures on LaGov HCM user access controls for LSP. Based on the results of our procedures, we determined that LSP had adequate controls in place over HCM user access controls. However, a finding titled Lack of Adherence to Controls over Payroll related to the timely review and approval of employee time statements and overtime records is included in the Current-report Findings section of this report.

LaCarte Purchasing Card Expenditures

DPS Office of Management and Finance participates in the state of Louisiana's LaCarte purchasing card program for general office supplies, facility maintenance and administrative expenditures. Due to the inherent risks and an alleged employee misappropriation associated with the card, we obtained an understanding of DPS's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings of the Office of Management and Finance for the period of July 1, 2016, through April 30, 2018, and reviewed selected transactions to ensure that purchases were approved, made for proper business purposes, supported by sufficient documentation, and properly reconciled to invoices and receipts. For acquisitions of assets valued over \$1,000, we verified assets were properly tagged and entered into the LPAA database for asset management. We also analyzed selected transactions for possible split purchases. Based on the results of our procedures, a finding on Noncompliance with LaCarte Purchasing Card Policies and Procedures is included in the Current-report Findings section of this report.

Expenditures of the Louisiana Highway Safety Commission

An Internal Audit Report issued by DPS on May 10, 2018, identified multiple findings related to federal, LaCarte, and travel expenditures made by LHSC during state fiscal year 2017. We reviewed the DPS Internal Audit working papers and related source documentation supporting the findings.

LHSC participates in the state of Louisiana's LaCarte purchasing card program for general office supplies, travel and administrative expenses. LHSC also reimburses employees for travel related expenses to attend training, conferences, and conventions. We obtained an understanding of controls over LaCarte card and travel expenditures. We analyzed purchasing card transaction listings of LHSC from July 1, 2017, through May 15, 2018. We reviewed selected LaCarte and travel transactions to ensure expenditures were approved, made for proper business purposes, supported by sufficient documentation, and adhered to statewide purchasing and travel policies.

Based on the findings of DPS Internal Audit and the results of our procedures, findings on Inadequate Controls over the Administration of Federal Awards, Inadequate Controls over Expenditures, and Noncompliance with Travel Regulations at LHSC are included in the Current-report Findings section of this report.

Statutory Dedications

DPS receives a number of statutorily dedicated funds, including Unified Carrier Registration Agreement Fund (R.S. 32:1526), Insurance Verification System Fund (R.S. 32:868), and New Orleans Public Safety Fund (R.S. 40:1402), which include restrictions on the use of such funds.

The Unified Carrier Registration Agreement Fund includes funds collected by DPS under the Unified Carrier Registration Act, which is authorized under federal statute. The money in the fund shall be used solely and exclusively for motor carrier safety programs, enforcement, and administration of the Unified Carrier Registration Plan and the Unified Carrier Registration Agreement.

The Insurance Verification System Fund includes funds collected from assessed reinstatement fees, which is to be used for maintenance of the real-time system to verify motor vehicle insurance and other specified public safety and law enforcement purposes.

The New Orleans Public Safety fund is an annual appropriation by the legislature to be used for public safety services, including patrol and law enforcement, within certain boundaries of the city of New Orleans.

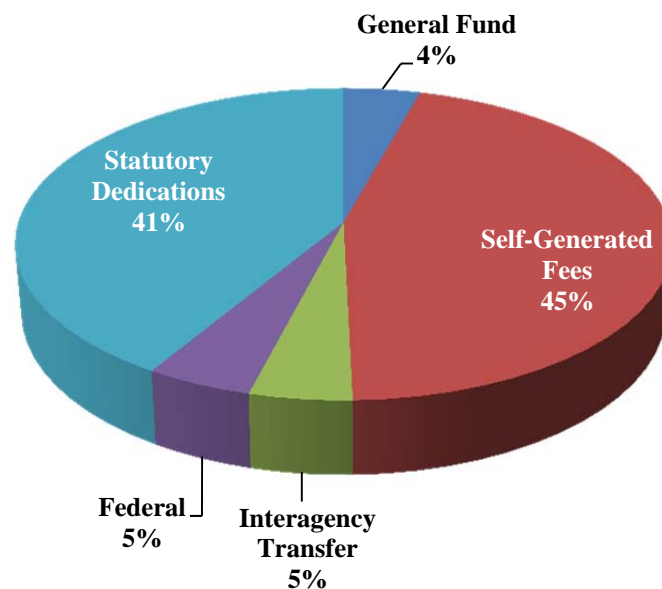
We obtained an understanding of DPS's controls over expenditures for the selected statutory dedications. We performed procedures to identify the related expenditures and determined if the expenditure of funds complied with statutory restrictions. Based on the results of our procedures, expenditures of the Unified Carrier Registration Agreement Fund and the Insurance Verification System Fund complied with state law. A finding on Noncompliance with State Law

over New Orleans Public Safety Funds is included in the Current-report Findings section of this report.

Trend Analysis

We compared the most current and prior-year financial activity using DPS Annual Fiscal Reports and/or system-generated reports and obtained explanations from DPS management for any significant variances. We also prepared an analysis of fiscal year 2018 revenue by appropriation type for all DPS agencies as of June 30, 2018. The majority of revenues are self-generated fees and statutory dedications.

Exhibit 1
DPS Revenue by Appropriation Type



Source: ISIS 2G57 Reports as of 6/30/18 for all DPS agencies.

Other Reports

On December 14, 2017, a report was issued by the Louisiana Legislative Auditor's Investigative Audit Section in response to multiple legislative requests to audit LSP's out of state travel and additional complaints received from various sources. The audit found instances of the following: improper travel; improper use of hotel rooms during Mardi Gras; misuse of LSP personnel and assets; residing on the DPS Compound without property authority; cafeteria meals provided without charge; improper special meal expenditures; services performed on private vehicles by DPS Fleet Operations; LSP personnel received both dry cleaning allowance and free dry

cleaning from the Governor's Mansion; and private use of LSP Training Facilities. This report is available on the LLA website.

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

BJ:NM:RR:ES:ch

DPSC-PSS 2018

APPENDIX A: MANAGEMENT'S RESPONSES



JOHN BEL EDWARDS
GOVERNOR

KEVIN W. REEVES, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services
November 6, 2018
DPS-02-01913-JS

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804

RE: Audit Finding – DPS Lack of Adherence to Controls over Payroll

Dear Mr. Purpera:

Please allow this letter to serve as the official response for the aforementioned audit finding for the Department of Public Safety, Public Safety Services. We appreciate the importance that these audits have in ensuring that State Agencies have adequate controls in place to ensure accountability over public funds, and would like to take this opportunity to respond to the finding that this agency lacks adherence to controls over payroll, and particularly overtime. The agency concurs in part with the finding as some discrepancies were noted during the course of the audit, specifically as it relates to improvements needed in the utilization of the Cross-Application Time Sheet (CATS) system.

The draft report issued states that the audit was prompted by two recent events: the arrest of two former and two current Louisiana State Police Troopers based on falsified timesheets, and an internal audit report issued by this agency finding that one Louisiana Highway Safety Commission (HSC) employee claimed excessive paid overtime with no supporting evidence. Due to ongoing investigations we cannot comment specifically on these cases. It is important to note that DPS management has been proactive in initiating investigations and/or internal audits when made aware of concerns as well as reviewing policies and procedures on a continual basis.

As an agency whose primary mission is to provide public safety services to visitors and residents of the State of Louisiana, a large portion of our employees work independently in the field. It is difficult, if not impossible, to monitor every aspect of a field employee's day, which is why we rely on the policies and procedures in place to control and guide our employees in their day to day activities, supported by communication between employee and supervisor. While DPS may not be able to monitor every minute of our employee's time, the controls we have in place are designed to alert agency officials to activity that may be questionable or outside of the norm so that we may investigate and address any violations that may occur. Due to the limitations, challenges, and the practicality associated with directly monitoring every employee within the agency, it is paramount that both employees and supervisors adhere to their individual responsibilities and are held accountable for compliance with departmental regulations. DPS management can only take appropriate action when an employee fails to

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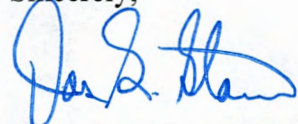
Audit Finding – Lack of Adherence to Controls over Payroll

follow established regulations. In the department's perspective, these occurrences are representative of how the internal controls of policies, procedures and an effective internal audit function were successful in identifying and addressing alleged wrongdoing on the part of the employee.

The bulk of the audit dealt with the Cross-Application Time Sheet (CATS) system, an electronic time-keeping system housed within LEO, and maintained by the State of Louisiana. The CATS system is an end-user oriented tool that interfaces directly with LaGov HCM and is designed to reduce paper and mitigate the human error involved in third party time entry. Any time a large agency transitions to a new system, it is expected that there will be some complications and implementation issues, and DPS is no exception. We recognize this and will continue to correct the issues as we move forward in our implementation, however, we also recognize that exceptions need to be made for employees who are out of the office and unable to certify timely, and for approvers who are not able to approve an employee's time timely due to a late certification. We will continue to review our policies and procedures to best work within the limitations set by the CATS system and payroll timelines. Although we recognize that there has been some non-compliance with internal DPS policy and procedure, we reject the implication that an uncertified or an untimely certified time sheet equates to incorrect wages or misappropriations of funds. It is important to bear in mind that, particularly when it comes to overtime, the approvals occur prior to the overtime being worked and prior to the entry by the employee into the CATS system.

As neither the Office of Motor Vehicles nor the Office of State Police had fully implemented CATS for the time period audited, a test of paper timesheets showed that three out of the fifty-two time sheets sampled had a discrepancy between entries on the time sheet and entries made by the third party time administrator into LaGov, which may be due to human error. DPS will look into the discrepancies identified and make any necessary corrections.

Sincerely,



Lt. Colonel Jason Starnes

Deputy Superintendent - Chief Administrative Officer

C: Colonel Kevin Reeves
Lt. Colonel Mike Noel
Ginger Krieg



JOHN BEL EDWARDS
GOVERNOR

KEVIN W. REEVES, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services
August 24, 2018
DPS-02-01902-JS

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804

RE: Audit Finding – Noncompliance with State Law over the New Orleans Public Safety Fund

Dear Mr. Purpera:

Please allow this letter to serve as the official response for the aforementioned audit finding for the Department of Public Safety, Public Safety Services.

The finding states that DPS was unable to provide support to determine that statutory dedicated funds were spent for public safety services in the New Orleans area, as required by statute.

DPS does not concur with this finding. The Louisiana State Police (LSP) expended these monies in accordance with the statute. The chronology of the budget process that made these funds available to LSP for expenditure is pertinent to the explanation.

LSP was appropriated \$2,417,627 in the New Orleans Public Safety Fund in FY 17. Before LSP could access and utilize these funds, the Revenue Estimating Conference had to recognize the fund and the revenues, a BA-7 had to be completed, and the Treasury had to transfer the funds to LSP. This was not completed until the third quarter of the fiscal year. Therefore LSP had to utilize other means of financing to cover related expenses throughout a majority of the fiscal year.

Louisiana R.S. 40:1402 restricts the use of this fund to public safety services, including patrol and law enforcement, within a specific area of New Orleans generally referred to as the French Quarter. LSP maintains a presence and concentrated law enforcement efforts in that defined area, but providing such service requires utilization of other resources above and beyond just those individuals that are specifically assigned to the French Quarter. For example, investigations into criminal activity within and or related to the French Quarter certainly do not have geographical boundaries. Other personnel resources such as criminal investigators, intelligence analysts, fleet maintenance, and all other forms of administrative support play a role in providing service but are not necessarily assigned to the geographical area. Additionally, LSP did not receive an increase in authorized positions so personnel had to be reassigned from other sections of the agency resulting in staffing shortages in those areas.

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There is a cost associated with having to backfill those areas of responsibility in an effort to maintain service levels. Other costs to LSP include equipment and vehicle acquisitions, replacement and/or depreciation, fuel and maintenance, uniforms, training, IT expenditures, legal services and other operating costs which can be substantial.

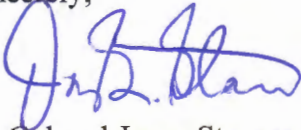
Many direct expenses are incurred, but not reimbursed, for the New Orleans Detail. The City of New Orleans only reimburses LSP for payroll expenses. In FY 17, the following expenses were incurred but not reimbursed: \$314,223 for various special events in the French Quarter, \$934,989 for payroll costs that the City was unable to reimburse due to lack of funds, and \$414,405 in fuel and maintenance expenses based on miles traveled, average fuel cost, and average miles per gallon. This totals \$1,663,617 in unreimbursed costs directly related to security services in the French Quarter. This total does not include the numerous indirect costs that may not be captured but are certainly expended in providing law enforcement services. When costs are incurred and not reimbursed, LSP must use other state funds to cover the expenditures which were appropriated for other agency needs.

Furthermore, in FY 15 and FY 16, there were numerous unreimbursed costs that were incurred. These costs include unreimbursed payroll costs from June 2014 to January 2015 of \$2,096,240, \$237,280 of the December 2015 bill that was absorbed due to a lack of available funds from the City of New Orleans, and approximately \$500,000 each year for special events in the French Quarter. Although these costs were incurred in previous fiscal years before this fund was made available for appropriation, it illustrates that the agency absorbed costs resulting in deferred purchasing of agency needs.

In FY 17, instead of doing journal vouchers to recode hundreds of direct expenditures and portions of other indirect expenditures, LSP did a single journal voucher to code fuel to the New Orleans Public Safety Fund, equal to the amount of budget authority received. This was a mechanism to replace other state funds that were used to pay LSP's unreimbursed expenses incurred prior to the fund being made available. This freed up previously obligated state funds which could then be used in LSP's operating budget.

Please allow this explanation serve as adequate support as LSP maintains these funds were expended in accordance with the statute. Please contact me at (225) 925-6032 with any additional concerns or if more information is needed.

Sincerely,



Lt. Colonel Jason Starnes
Deputy Superintendent – Chief Administrative Officer

C: Colonel Kevin Reeves, Superintendent
Lt. Colonel Mike Noel, Assistant Superintendent

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JOHN BEL EDWARDS
GOVERNOR

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DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services
November 8, 2018
DPS-02-01915-JS

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Response – DPS Weaknesses in Controls over Louisiana State Police Property

Dear Mr. Purpera:

Please allow this letter to serve as the official response for the above mentioned audit finding for DPS - Louisiana State Police.

The Louisiana State Police concurs in part with the finding related to weaknesses in controls over movable property. Some procedural changes have been instituted to address the weaknesses cited by the auditors. It is important to note, however, that DPS is currently in the process of transitioning to the LaGov system, which includes an Inventory Management component. Because this transition is in the earliest stages, the Department does not have a clear comprehension of the impact to internal inventory procedures. The tentative timeline for LaGov to Go-live is June 24, 2019. A complete corrective action plan will be developed to reflect the functionality of this new system upon implementation. Jim Mitchell, Administrative Support Division, is the responsible party.

Corrective actions currently being addressed include:

- **DPS Movable Property Policy Manual**

The movable property policy manual is currently under revision to address issues identified during the audit. Specifically, the acquisition date entered in the Asset Management Platform (AMP) will be the date of delivery rather than the purchase order date. The Department does not concur with this weakness in controls because the prior practice of using the purchase order date rather than the delivery date gave the appearance of a late entry even though the 379 fleet vehicles cited in the findings were entered timely. To improve this process, property custodians will ensure that receiving dates entered in AMP correspond with the receiving dates in the LaGov system.

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Audit Response – DPS Weaknesses in Controls over Louisiana State Police Property

- **Unassigned Assets LSP Armory**

Procedures at the LSP Armory have been modified to track temporarily assigned assets such as firearms and/or vests. This change in procedure will be included in the updated movable property policy manual.

- **LPAA Asset Tags**

The audit identified 5 items that were not tagged with a property control number. The Department concurs in part with this finding. Two of the items were tagged immediately upon notification of the oversight. However, the remaining three items were firearms which cannot be engraved due to a specialized hardened factory finish. DPS has coordinated with the Louisiana Property Assistance Agency (LPAA) concerning weapons that are not suitable for a property control tag or to be engraved with a property control number. LPAA has granted the department an exemption for a specific class of weapons due to the fact that adhesive labels will not adhere to a gun or a taser. It is important to note that all firearms have a factory engraved serial number which serves as a fixed and unique tracking number. Both the assigned property control number and the factory-engraved serial number are entered in AMP for tracking purposes. Additionally, because these weapons have not been devalued due to permanent markings, Louisiana State Police has historically been able to trade-in these weapons at significant savings to the state.

- **Assets Assigned to Former Employees**

All assets have been accounted for and the proper location has been updated in AMP.

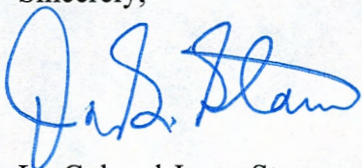
- **Receiving Dates and Acquisition Costs in AMP**

Further inquiry into this issue determined that these three discrepancies were due to inadvertent input errors on the part of an employee. Corrective action has been taken.

Corrective action, where applicable, has been completed. Any inquiries concerning these actions can be directed to Jim Mitchell at (225) 922-2842 or jim.mitchell2@la.gov.

Please contact me with any additional concerns or if more information is required at (225) 925-6032.

Sincerely,



Lt. Colonel Jason Starnes
LSP Deputy Superintendent - Chief Administrative Officer

C: Colonel Kevin Reeves



JOHN BEL EDWARDS
GOVERNOR

KEVIN W. REEVES, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

November 6, 2018
DPS-02-01914-JS

Mr. Daryl G. Pupera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding – DPS Noncompliance with LaCarte Purchasing Card Policies and Procedures

Dear Mr. Pupera:

Please allow this letter serve as the official response for the above mentioned preliminary audit finding for DPS - Public Safety Services.

The finding indicates that some DPS employees did not comply with certain LaCarte Purchasing Card policies and procedures. Upon receipt of this preliminary finding, DPS management reviewed the data used by the auditors and provides the following response to the discrepancies noted:

- **Bullet #1 – Late approval:**

The audit report identified 267 (10%) out of 2,591 LaCarte transactions that were approved beyond the agency's internal deadline or had not yet been approved between the dates of July 1, 2016 and April 30, 2018.

In July 2017, DPS initiated proactive measures to improve compliance and strengthen its policy and procedures in regard to LaCarte program administration. These measures included reducing the number of cards issued to employees, expanding the use of CBA accounts, improved communication between cardholders, approvers and program administrators, and the suspension of some cardholder privileges for issues with non-compliance. The scope of the audit addressed late "sign off" approval by supervisors between July 1, 2016 and April 30, 2018. Of the 257 transactions noted, 222 (86%) occurred between July 2016 and June 2017 prior to changes put in place by the agency. A review of transactions between July 6, 2017 and April 30, 2018 (following changes made by the agency) shows that the audit identified only 35 late transaction approvals which represents 2% of the total transactions (1,722) during that period. Furthermore, these 35 individual transactions (or purchases) were encompassed within 7 occurrences where the approver missed the sign-off date deadline. Additionally, DPS notes there was only one transaction where approval was at 500 days late. This anomaly was the result of an employee's lack of understanding of procedures whereas the cardholder failed to login to the system and submit a transaction for approval. By

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Audit Finding – DPS Noncompliance with LaCarte Purchasing Card Policies and Procedures

comparison, with the exception of that one outlier, the number of days for a transaction to be approved was between 4 and 74 days with an average of 20 days across all late transactions.

The 10 transactions that did not have approval have been reviewed. Six of the transactions were not approved due to the cardholder separating service with the department and failing to submit transactions to the approver prior to separation. One of the transactions was not allocated timely by the cardholder and was subsequently processed by Financial Services. This eliminated the ability to have approver sign off due to system limitations. Three of the remaining four transaction approvals have since been completed with the final transaction pending due to the employee being out on extended leave.

DPS will continue to monitor program performance and strive to further reduce the number of late approvals within the system. However, it must be noted that there may be instances where approvals will be late and exceptions to internal policy guidelines and deadlines must be granted and taken into consideration such as when employees are on leave or when deadlines fall on holidays, office closures or weekends. DPS is also in the process of creating additional CBA accounts which will reduce the number of cardholders and thereby reduce the amount of risk associated with the program.

Bullet #2 – Untagged Moveable property

The audit identified four items that were not tagged with a property control number. This was the result of oversight by the employee. These items were tagged immediately upon notification of the oversight. DPS will be sending notification to remind Agency Heads/cardholders/approvers of their responsibility to request tags for purchases meeting movable property threshold.

Bullet #3 – Divided payments on LaCarte purchasing cards

Purchases totaling \$31,574 that may have been unnecessarily divided into separate transactions were all reviewed by DPS. As a result, DPS believes only two transactions totaling \$5,273.57 were actually unnecessarily divided. These transactions were processed by a new employee who did not have a good understanding of purchasing rules. The employee's approver took corrective action directly after the transaction occurred.

The remaining transactions totaling \$26,300.43 were all roofing repairs that occurred on different days and were performed at different locations. All were less than \$5,000. The vendor chose to invoice on same day or next day after the work was completed. This was not divided purchasing as alleged by the audit and DPS requests this explanation of circumstances to serve as documentation to have this finding removed from the report. DPS will have the companies' invoice as the work is completed as such to alleviate appearance of avoidance of purchasing rules.

Bullet #4 – Inadequate support for purchase

The two purchases in which adequate support was not provided were reviewed and DPS agrees the support was in fact inadequate. DPS will include reminders in the notification to Agency Heads/cardholders/approvers that receipts must be carefully reviewed for matching amounts, dates, and detailed descriptions of the purchase.

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Audit Finding – DPS Noncompliance with LaCarte Purchasing Card Policies and Procedures

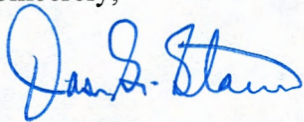
In conclusion, DPS obviously recognizes that some employee noncompliance with policies were identified, but we do not concur with a reportable audit finding based solely upon a few discrepancies. In contrast, the audit reflects how recent agency initiatives have been successful in improving our internal controls and employee accountability as many of the errors noted are not recent and do not reflect the current state of our program. Perhaps these issues would be more appropriately addressed in a post audit letter to management versus a material finding.

The basis of this audit was conducted as the result of an employee arrest. This was an isolated incident by an individual employee and is not indicative of systemic problems within the Department. We agree such incidents should prompt additional reviews of processes, procedures, and accountability to established policies in order to identify areas where improvements can be made and risk can be reduced. This is evidenced by our Internal Audit Division's annual audit plan as well as management's continued evaluation of all aspects of departmental operations on an on-going basis and not only in reaction to an isolated event.

Corrective action, where applicable, has been completed. As always, DPS will continue to monitor program performance to ensure that we operate effectively and efficiently. Any inquiries concerning these actions can be directed to Scott Erwin, Director of Financial Services, at (225)925-6279 or scott.erwin@la.gov.

Please contact me with any additional concerns or if more information is required at (225) 925-6032.

Sincerely,



Lt. Colonel Jason Starnes
LSP Deputy Superintendent – Chief Administrative Officer

C: Colonel Kevin Reeves



State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

OMV-18-11-02
November 8, 2018

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE
P.O. Box 94937
Baton Rouge, La. 70804

Dear Mr. Purpera:

Audit Finding: Misappropriations of funds by OMV employees

Please accept this letter as the Office of Motor Vehicles (OMV) official response to the reportable audit finding that noted misappropriations of funds by OMV employees.

The agency concurs with the finding inasmuch that upon management's discovery of these alleged misappropriations, OMV immediately requested a criminal investigation by Louisiana State Police which resulted in arrests of the involved employees. Subsequent to the arrests and in accordance with L.R.S. 24:523 both the legislative auditor and the appropriate district attorney were notified by DPS.

Due to the ongoing criminal investigation, we cannot comment specifically on these individual cases. The employees involved are no longer employed with OMV. OMV takes wrongdoing of this nature very seriously and is currently working with Louisiana State Police to prosecute these individuals to the fullest extent of the law. Please note the agency has recovered the funds associated with one of the cases. However, there are still outstanding criminal cases that OMV intends to seek complete restitution through all means necessary to recoup these funds. Furthermore, L.R.S. 24:523 provides when misappropriation is discovered and reported, the attorney general, at the request of the legislative auditor, is authorized to recover misappropriated funds from the responsible party by civil suit. OMV is unaware if such requests have been made by your office to the attorney general.

The identified weaknesses attributed to misappropriation of funds by employees are the result of several factors that are not solely within the agency's control.

- Factor 1 – OMV is currently utilizing a forty year old software solution predominately written in COBOL housed on a Unisys mainframe. Due to the age of the solution, the ability to implement current anti-theft programmatic edits is impossible. The ability to limit contracted business partners from performing certain transactions also has programmatic constraints. The agency has been trying to move to a newer technology platform since 2001 with zero success. In July of 2017, the Office of Technology Services (OTS) undertook the challenge of designing a new hardware/software solution for the agency that would allow the implementation of necessary audit controls. However, the funding necessary to continue with the IT project was removed prior to the submission of the 2018 Executive Budget Request. The agency has chosen to

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continue on with the project absorbing the costs within its existing operating budget to the extent possible or until such time the funding can be identified.

- Factor 2 - OMV experienced a staff reduction of over 33% during the previous administration. Authorized positions were reduced from 754 in 2008 to 503 in 2016. The agency is tasked with staffing 79 field offices statewide as well as providing oversight to over 500 contracted business partner locations. The reduction in staff significantly reduces the agency's ability to consistently comply with manual internal controls implemented to deter theft and monitor daily transactions performed by business partners.

As stated within the audit finding, OMV executive management has issued several directives to OMV middle management over the past few years to potentially reduce the risk of employee thefts. In addition, the agency took proactive measures to reduce the potential for employee theft by discontinuing the acceptance of cash as a tender type on November 1, 2016 thereby eliminating the ability for staffing thefts to occur. However, due to the amount of negative feedback received by customers, the agency decided to accept cash for all transactions except for reinstatement transactions. The majority of employee thefts that have occurred were directly associated with a reinstatement transaction.

The agency recently obtained approval from Civil Service to establish a separate division within OMV that will focus specifically on Public Tag Agent and Auto Title Company contracted business partners. The division consists of 1 Motor Vehicle Administrator, 3 Motor Manager 2's, and 3 Motor Vehicle Compliance Analysts. The team is responsible for providing more day-to-day interaction with the contracted business partners by performing frequent unannounced site visits, reviewing reports of transactions performed and providing any guidance related to approved transactions. The corrective action has already been implemented. The employee that will be responsible for ensuring the continuation of this corrective action plan will be Ashleigh Starnes, Motor Vehicle Administrator, at (225-925-4089) or ashleigh.starnes@la.gov.

To improve communication and eliminate the inconsistent application of agency policy and procedures, the agency recently acquired a state of the art policy and procedure software application. The software is currently being implemented by the agency. The software will track when a policy and/or procedure is added and/or modified, date/time stamp of when an employee and/or business partner accessed the policy/procedure and the date/time stamp when an employee and/or business partner reviewed any required videos associated with the policy/procedure. The software will provide management with the reports necessary to determine employee and/or business partner adherence with required policy/procedure review. This should ensure consistency of how transactions are processed as well as management compliance with required audit directives.

Sincerely,



Karen G. St. Germain
Commissioner, Office of Motor Vehicles

C: Colonel Kevin Reeves, Deputy Secretary
Lt. Colonel Jason Starnes, Deputy Superintendent
Staci Hoyt, OMV Deputy Commissioner



State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

OMV-18-11-02
November 8, 2018

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE
P.O. Box 94937
Baton Rouge, La. 70804

Dear Mr. Purpera:

Audit Finding: Lack of Adherence with Policies and Procedures over Office of Motor Vehicle Cash

Please accept this letter as the Office of Motor Vehicles (OMV) official response to the reportable audit finding that noted lack of adherence with policies and procedures over Office of Motor Vehicles cash. OMV management met with the LLA auditor and reviewed the documentation collected.

The agency concurs with the finding inasmuch that upon management's discovery of these alleged misappropriations, OMV immediately requested a criminal investigation by Louisiana State Police which resulted in arrests of the involved employees. Subsequent to the arrests and in accordance with L.R.S 24:523 both the legislative auditor and the appropriate district attorney were notified by DPS.

The identified weaknesses attributed to misappropriation of funds by employees are the result of several factors that are not solely within the agency's control.

- Factor 1 – OMV is currently utilizing a forty year old software solution predominately written in COBOL housed on a Unisys mainframe. Due to the age of the solution, the ability to implement current anti-theft programmatic edits is impossible. The agency has been trying to move to a newer technology platform since 2001 with zero success. In July of 2017, the Office of Technology Services (OTS) undertook the challenge of designing a new hardware/software solution for the agency that would allow the implementation of necessary audit controls. However, the funding necessary to continue with the IT project was removed prior to the submission of the 2018 Executive Budget Request. The agency has chosen to continue on with the project absorbing the costs within its existing operating budget to the extent possible or until such time the funding can be identified.
- Factor 2 - OMV experienced a staff reduction of over 33% during the previous administration. Authorized positions were reduced from 754 in 2008 to 503 in 2016. The agency is tasked with staffing 79 field offices statewide as well as providing oversight to over 500 contracted business partner locations. The reduction in staff significantly reduces the agency's ability to consistently comply with internal controls implemented to deter theft.

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As stated within the audit finding, OMV executive management has issued several directives to OMV middle management over the past few years to potentially reduce the risk of employee thefts. In addition, the agency discontinued accepting cash as a tender type on November 1, 2016 thereby eliminating the ability for staffing thefts to occur. However, due to the amount of negative feedback received by customers, the agency decided to accept cash for all transactions except for reinstatement transactions. The majority of employee thefts that have occurred were directly associated with reinstatement transactions.

The agency has redistributed field office administration into a North and South division with each division having its own Motor Vehicle Administrator. Each division consists of 1 Motor Vehicle Administrator, 3 Motor Manager 2's and their respective field office staff. This change will allow each Field Service division to provide more day-to-day interaction with their field office locations and field office staff. In addition, they are required to perform unannounced site visits and randomly review processed transactions by each employee.

To eliminate the inconsistent application of agency policy and procedures, the agency recently acquired a state of the art policy and procedure software application. The software is currently being implemented by the agency. The software will track when a policy and/or procedure is added and/or modified, date/time stamp of when an employee and/or business partner accessed the policy/procedure and the date/time stamp when an employee and/or business partner reviewed any required videos associated with the policy/procedure. The software will provide management with the reports necessary to determine employee and/or business partner adherence with required policy/procedure review. This should ensure consistency of how transactions are processed as well as management compliance with required audit directives.

OMV recognizes the need to review record retention requirements and is currently in the process of updating the retention schedule for the agency which will address needed revisions. In addition, the requirements related to record retention will be put on a scheduled reminder within the new policy/procedure database.

Complete implementation of these alternative measures is targeted for October 31, 2018. Any inquiries concerning these actions can be directed to Staci Hoyt, Deputy Commissioner, at (225) 925-4656 or staci.hoyt@la.gov.

Sincerely,



Karen G. St. Germain
Commissioner, Office of Motor Vehicles

C: Colonel Kevin Reeves, Deputy Secretary
Lt. Colonel Jason Starnes, Deputy Superintendent
Staci Hoyt, OMV Deputy Commissioner



LOUISIANA DEPARTMENT OF PUBLIC SAFETY & CORRECTIONS
PUBLIC SAFETY SERVICES

OFFICE OF STATE FIRE MARSHAL



H. "BUTCH" BROWNING, JR.
STATE FIRE MARSHAL

DEPARTMENT OF PUBLIC SAFETY
OFFICE OF STATE FIRE MARSHAL

**Response to Legislative Auditor Report Entitled "Inadequate Control over the
Office of State Fire Marshal Amusement Ride Inspection Fees"**

I. GENERAL RESPONSE

Upon reviewing the report, it became apparent that a general response was necessary to fully explain the current requirements under the new law and the transition from the former law to the implementation of the new amusement ride law. It is important that the report accurately reflect the fees the OSFM is currently authorized to assess and collect and how to handle that in the transition from the former regulatory scheme to the new regulatory scheme. It is also imperative that an accurate depiction be set forth explaining the reality in undertaking the implementation of a completely new regulatory scheme of an entire industry, along with the regulation of its ancillary industry. Finally, it must also be understood that the regulation of the industry itself and the regulation of the ancillary industry must be in place for the entire scheme to properly function.

Therefore, the chronology of events is important. First, the "Regulation of Amusement Attractions and Rides" law was brought forth in the 2016 Regular Legislative Session and became effective August 1, 2016. The regulatory scheme provided therein is quite different to what was in place and quite foreign to those who would fall under its regulatory umbrella. The new laws require that amusement event operators, fixed location operators, third-party inspectors, set-up inspectors, and limited third-party inspectors meet statutorily required criteria for their individual endorsements and obtain an OSFM issued license before performing their activities in the state. Additionally, the business entities that employ them must also obtain an OSFM issued firm license. Some of the requirements include educational and experience requirements and general liability and error and omission insurance requirements. There is a statutory prescribed fee associated with each license/endorsement for the individual and firm.

The new laws also require owners of inflatable amusement devices, amusement attractions, and amusement rides, as defined by the law, to register their devices, attractions, and rides with the OSFM and pay a fee to do so. In order to complete the registration, the owners have to provide statutorily required documentation, which includes an annual inspection report of the device, attraction, or ride completed by an OSFM licensed third-party inspector.

Under the new law, the operators would have to continue timely informing the OSFM of any events in which they were participants in the state of Louisiana and the number of rides at that event.

Specifically, the law impacted approximately 389 inflatable amusement device companies, owning 5298 devices, 134 amusement companies, owning 2099 attractions and rides, and 26 inspectors. Due to the immediate effective date of the law, there were no procedures developed or rules promulgated at that time explaining to the impacted industries and public in detail how these new regulations would be implemented and what would be specifically required of them on a practical basis. Therefore, the first obstacle was informing the industry of the new laws and then gathering their input in regards to the crafting of the amusement rules. This endeavor took several months, with the drafting of the rules taking numerous additional months.

During this process, it was repeatedly expressed by third party inspectors and amusement device, ride, and attraction owner/operators that the errors and omission insurance for third-party inspectors was either unavailable or so expensive that it was cost prohibitive. Without the third-party inspectors, no annual inspections could occur and, thus, no registrations of those devices, rides, and attractions. Additionally, if rides are not registered, they cannot operate in the state of Louisiana under the new law. Therefore, the OSFM conducted extensive research regarding this insurance and a hearing was held in accordance with R.S. 40:1484.16(5) on November 29, 2017, to determine whether the insurance should be maintained or decreased. Based upon the information obtained, it was determined that third-parties were either denied insurance, were unable to locate insurance, or it was so expensive, it was cost prohibitive, and so the OSFM reduced the requirement insurance amount to \$0.

Once the OSFM had a final draft of the rules, it was necessary that they get promulgated as quickly as possible. Due to the fact that the amusement industry can involve response to injury or death, the OSFM was able to promulgate an emergency rule. This temporary rule became effective February 22, 2018. During the promulgation of the permanent rule, no comment was made or requested, and it became final July, 2018.

At this time, application forms for the individual licenses, firm licenses, registration of the devices, attractions, and rides, and event registration have been developed and are being tested. These are available for review upon request. Along with the forms, the OSFM, Division of Special Services and Support (Special Services) has also written procedures on the licensure process. These are currently in draft form and are available for review upon request. Special Services is also in the process of developing the procedures for the OSFM audit of amusement events and fixed location inspections.

As the OSFM was providing the newly developed applications to the industry and inspectors, the OSFM again received complaints that the owners and operators were unable to register rides because they were unable to locate third-party inspectors who want to get licensed in Louisiana and/or perform work in Louisiana. The issue at this point was the unavailability or expense of the General Liability insurance. Once again without third-parties seeking licensure, there would be no one to conduct the statutorily

required inspections. A hearing was held on August 1, 2018 in accordance with state statute to determine if the insurance should be maintained or decreased. Numerous individuals and representatives of interested parties provided information and/or testified during and prior to the hearing. Based upon the information gathered, the OSFM determined that the General Liability insurance was unavailable to many and cost prohibitive to others. The required amount was decreased to \$0, essentially suspending the insurance requirement.

During this period, Special Services has also worked with DPS, Management and Finance to create the proper financial codes to capture all new fees in as defined a way as possible. Once the codes are activated, the OSFM will begin processing the obtained fees under the newly developed financial codes. This list is available for review upon request. The codes developed for the now repealed statutes did not coincide with the current fees and were insufficient.

Most importantly, during the transition period it was crucial that the safety of amusement devices, attractions, and rides be maintained for the citizens of Louisiana and its visitors. Therefore, remnants of the former law had to continue, including, but not limited to, annual inspections, the inspection of devices, attractions, and rides during events, and the registration of events by operators.

Finally, during this entire period of time, Special Services has been working towards the goal of having the licensure of operators and inspectors and the registration of amusement devices, rides, and attractions automated within the OSFM's award winning Information Management System (IMS). In order to build a system such as this, the rules and regulations had to be promulgated and procedures have to be developed and tested. More precisely, in the coming months, procedures will be developed for event tagging for the set-up inspectors; for the OSFM auditing of events; for lodging complaints; etc. The OSFM will then work with the IMS system builders to create and implement the amusement regulation within the IMS. In regards to the fees, which were a large part of the audit, the OSFM, per statute, will only charge for the licensure of the firms and individuals participating in the inspection and operation of amusement devices, attractions and rides and the registration of those devices, attractions, and rides with the OSFM. The OSFM will not charge for any inspection or audit as the law no longer authorizes a fee for that service.

I. RESPONSE TO BULLETED ITEMS

The following points respond to each bulleted point alleged in the Legislative Auditor's report:

Bullet 1: The OSFM does not concur and asserts the following explanation. The OSFM did not immediately increase the registration fees for adult rides due to the reasons described above. More specifically, the OSFM required time to develop the applicable rules and regulations, application and event forms, and procedures needed to properly implement the new law. The OSFM also experienced the obstacles of having third-party inspectors choosing not to get licensed in Louisiana due to the insurmountable insurance requirements in existence at that time. These issues needed to be properly addressed which obviously required time consuming and responsible research and the adherence to statutory procedure. The OSFM is now in the processing of licensing individuals and firms; registering devices, attractions, and rides; and developing procedures for all activities prescribed within the new law. Any ride registration under the new law perfected by the OSFM pursuant to the

- submission of a certificate of inspection (report of annual inspection) by a third-party not licensed by OSFM would have been in opposition of the newly adopted statute. The OSFM chose not to violate the statute and chose to implement the new fee when third-parties became licensed.
- **Bullet 2:** The OSFM does not concur with the estimated fees associated with the contents of this bullet.
- **Bullet 3:** The OSFM asserts that the issue raised in bullet 3 is moot. The new law allows for the auditing and set-up inspection of amusement rides at events and annual inspections of fixed location amusements, but excludes any requirement that the OSFM collect any fee for those services or by deputies in the field for any reason. Since there is no fee requirement for any audit or inspection function the OSFM may perform, no issue can arise as to its collection or related documentation. Furthermore, at the time of the reviewed events, the OSFM did not have third-parties or set-up inspectors licensed for the reasons described in Section I of this response. The OSFM is in process of licensing these parties.
- **Bullet 4:** The OSFM is unable to fully concur with this bullet as it relates to the performance of annual registrations. The OSFM did not and does not “perform annual registrations”.
- **Bullet 5:**
 - It is the opinion of the OSFM that due to the fact that amusement devices, attractions, and rides usually operate at festivals and fairs which usually take place on weekends, it would not be possible to deposit fees immediately, within 24 hours, or even within 72 hours. This allegation should take into consideration the nature of the industry inspected and apply a reasonable standard. The OSFM does concur that the depositing of funds should not require 41 days.
 - Having said that, however, the OSFM reiterates that once the new laws are fully implemented this issue will no longer exist, as fees are not authorized for inspections and auditing services under the new laws. More aptly, no exchange of money will ever occur in the field under the new law.

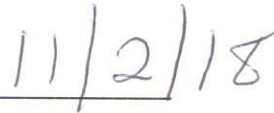
It is further the opinion of the OSFM that as the agency completes the implementation of the new law, many, if not all of the issues noted in the report will no longer exist. OSFM inspectors will no longer be receiving fee payments for inspections because the new law does not authorize the OSFM to charge for any audit or inspection it conducts. The fees are paid for the licensure, not inspection. Eventually, once procedures are established, the licensure fees will be completely automated within the IMS system. For instance, late fees will be automated and not reliant upon the determination of any one individual.

The report also alleges that the OSFM does have written policies for the collection of amusement ride inspection fees to ensure consistency among inspectors. This issue is moot considering that the current law no longer requires the OSFM charge fees for any inspections (or audits) it may conduct. The OSFM has developed draft policies for the collection of fees currently authorized by the new law and is in the process of developing inspection and audit procedures for OSFM deputies, which do not involve the collection of fees. The draft procedures are available for review.

The final statement provided that the OSFM should have policies and procedures designed and consistently implemented and documentation for proper fee collections. The OSFM has assured that policies and procedures have been drafted and are being developed to ensure that the Legislative Auditor's concerns are quelled.



H. "Butch" Browning
Louisiana State Fire Marshal
Louisiana Office of State Fire Marshal



Date



JOHN BEL EDWARDS
GOVERNOR

Lisa Freeman
EXECUTIVE DIRECTOR

State of Louisiana
Department of Public Safety and Corrections
Louisiana Highway Safety Commission

November 8, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera,

On behalf of the Louisiana Highway Safety Commission (hereinafter "LHSC"), I am responding to revised correspondence from Louisiana Legislative Auditor, received October 31, 2018 referencing audit findings relative to its procedural engagement of the LHSC.

As you are aware, prior to the instant audit by Louisiana LLA (hereinafter "LLA"), a proactive management audit of LHSC had been conducted by the Internal Audit Division of the Department of Public Safety (hereinafter "DPS"), of which the LHSC is a part. The DPS audit identified a set of findings and made recommendations, to which LHSC management responded. While current LHSC management was not in a position to address the findings of the DPS audit, LHSC concurred in the audit recommendations regarding correction action. For purposes of this response, LHSC management consists of the director and deputy director of LHSC.

In addressing inadequate controls over the administration of federal awards by LHSC, the current LHSC management has instituted various measures to promote accurate and timeliness in the claims and vouchering processes. The fiscal staff are now required to adhere to a bi-weekly vouchering protocol and to timely enter appropriate expenditures into the federal grant tracking system, toward the goal of achieving timely processing and reimbursement of claims. Fiscal staff are now required to correct voucher errors within twenty-four (24) hours, and in the event that such resolution cannot be achieved, to remove such item(s) from the voucher so as to avoid delaying vouchers which are ready for immediate submittal, and to fully resolve such issues prior to the next bi-weekly voucher deadline.

Mr. Purpera
Page Two
November 8, 2018

Program management staff are now required to engage in regular monthly communication with sub-grantees to ensure submissions of claims adhere to a strict schedule, which factors in potential claims errors by sub-grantees. Additionally, program management staff and fiscal staff are now expected to process accurate, appropriately documented sub-grantee claims in a fifteen (15) day time frame, so that sub-grantees are reimbursed within thirty (30) days per federal regulation. LHSC management has and will continue to engage in regular staff communications to facilitate and ensure compliance.

LHSC has facilitated training and assistance from DPS and our federal administrator, National Highway Transportation Safety Administration (hereinafter "NHTSA"), to ensure quality control of staff effort. LHSC management is currently engaging in regular communications with NHTSA representatives to proactively address funding inquiries regarding allowable, reasonable and allocable expenditures and to verify appropriate funding sources for vouchering and reimbursement transactions. Particular attention is given to distinctions between Planning and Administration expenses versus Program Management expenditures, to avoid mis-categorization of voucher items. Through staff meetings, LHSC has and will continue to oversee fiscal operations, so that vouchers designate the appropriate federal and state share, and that vouchers for federal reimbursement are not submitted prior to payment of sub-grantee claims by LHSC.

Since the Procedural Engagement on these findings, LHSC has engaged and intends to consult with a team of experts in federal highway safety grants management to review LHSC policy and procedures for the purpose of implementing best practices in this and other areas of management and administration.

Since the Procedural Engagement and subsequent findings with minimal revised language by LLA reflect the same findings of the antecedent, proactive internal audit conducted by DPS, our responses here reflect the same responses and concurrence provided to the earlier report.

Sincerely,



Lisa Freeman
Executive Director, LHSC

LF/hs

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JOHN BEL EDWARDS
GOVERNOR

Lisa Freeman
EXECUTIVE DIRECTOR

State of Louisiana
Department of Public Safety and Corrections
Louisiana Highway Safety Commission

November 8, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
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Regarding findings that state funds were used for unallowable expenses and/or donations, the current LHSC management will ensure LHSC staff compliance with mandatory online ethics training for public employees, as well as providing internal training on Louisiana ethics law to enhance knowledge of LHSC staff as well as LHSC sub-grantees and contractors who receive funding through LHSC.

In accordance with state procurement requirements, LHSC management is directly overseeing, in a multi-tiered review process, contracts for consulting services and ensuring that such contracts do not violate state limitations by engaging in multiple contracts with a single vendor for similar services and/or by exceeding the total maximum amount of compensation. Moreover, because of a recent reduction of LHSC's delegation of authority by the Office of State Procurement (OSP),

LHSC contracts of a certain amount will no longer be internally executed, but will be required to be reviewed by OSP for compliance relative to state purchasing regulations. Specifically, OSP has revised and reduced the delegation of authority for LHSC to approve such contracts for federal sub-grants with law enforcement agencies and state agencies to \$10,000, and insofar as the OSP has revised and reduced the delegation of authority for LHSC to contract for professional, personal, consulting services to \$2,000, the vast majority of funding determinations will not be made at LHSC, but will reside with the Office of State Procurement.

Also, pertaining to compliance with state purchasing and procurement issues, LHSC management has begun and will continue to educate, promote and monitor staff knowledge of state guidelines, as well as that of LHSC sub-grantees. To meet this goal, LHSC management has instituted and will continue to implement regular staff meetings and any necessary training on issues of state purchasing and procurement.

In addressing issues of adequate internal controls over purchasing expenditures, the current LHSC management has instituted various remedial measures. Prior to charging such expenditures on the sole LaCarte card, LHSC has implemented a protocol requiring written purchase requests which must identify the intended purpose of the purchase and must be accompanied by documented justification, which then is submitted for first and second level approval and reimbursement review by LHSC management.

With respect to prior improper purchases being charged to LHSC LaCarte cards, a previous determination by current LHSC management to controls over travel expenditures. All but one of LHSC LaCarte cards have been deactivated and eliminated, with the singular card being exclusively maintained and utilized by the LHSC administrative coordinator, for all appropriate purchase orders and other necessary expenditures on behalf of LHSC. Prior to charging such expenditures on the sole LaCarte card, LHSC has implemented a protocol requiring written purchase requests which must identify the intended purpose of the purchase and must be accompanied by documented justification, which then is submitted for first and second level approval by LHSC management.

Since the Procedural Engagement on these findings, LHSC has engaged and intends to consult with a team of experts in federal highway safety grants management to review LHSC policy and procedures for the purpose of implementing best practices in this and other areas of management and administration.

Mr. Purpera
Page Three
November 8, 2018

Since the Procedural Engagement and subsequent findings with minimal revised language by LLA reflect the same findings of the antecedent, proactive internal audit conducted by DPS, our responses here reflect the same responses and concurrence provided to the earlier report.

Sincerely,



Lisa Freeman
Executive Director, LHSC

LF/hs



JOHN BEL EDWARDS
GOVERNOR

Lisa Freeman
EXECUTIVE DIRECTOR

State of Louisiana
Department of Public Safety and Corrections
Louisiana Highway Safety Commission

November 8, 2018

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera,

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As you are aware, prior to this engagement by Louisiana LLA (hereinafter "LLA"), a proactive management audit of LHSC had been conducted by the Internal Audit Division of the Department of Public Safety (hereinafter "DPS"), of which LHSC is a part. The DPS audit identified a set of findings and made recommendations, to which LHSC management responded. While current LHSC management was not in a position to address the findings of the DPS audit, LHSC concurred in the audit recommendations regarding corrective action. For purposes of this response, LHSC management consists of the director and deputy director of LHSC.

In addressing issues of adequate internal controls over travel expenditures, the current LHSC management has instituted various measures to promote accuracy and compliance with state policies and procedures governing travel expenditures. As a threshold matter, reimbursement for expenses must meet the following requirements: they must (a) be reimbursable, reasonable and appropriate; (b) have proper authorization and approval and (c) have complete documentation to support the travel expenditure. Meeting this goal is a result of staff education and a consistent review process that ensures accountability and accuracy. In addition to the information regarding travel allowances and prohibitions provided to all DPS

employees by Human Resources upon hiring, LHSC staff have been provided with a summary of state travel guidelines to further their understanding regarding the scope of permissible travel reimbursements. Staff has additionally been provided with an accurate listing of codes to reduce/eliminate past occasions of improper coding and is required to timely submit travel reimbursements. Additionally, LHSC sub-grantees have been provided with state travel regulations and requirements to further ensure accurate and proper claims are being submitted initially, prior to staff review, and LHSC sub-grantees will continue to receive the most updated version of the state travel regulations.

Moreover, LHSC has implemented a travel request protocol, where the nature, length and work-related necessity of the travel request must be made known at the time of submittal of the request and must be accompanied by relevant documentation, including, but not limited to conference registration packet, agenda, and itinerary which should also contain information regarding the inclusion of conference meals, so as to prevent reimbursement for already included per diem. Such requests are to proceed through a primary and secondary approval and reimbursement review process.

With respect to inaccurate or improper travel expenditures being charged to LHSC LaCarte cards, a previous determination by current LHSC management to substitute the use of LaCarte cards with the use of the DPS CBA (Controlled Billed Account) for airfare, lodging and conference registration is expected to address the issue of inadequate controls over travel expenditures. All but one of LHSC LaCarte cards have been deactivated and eliminated, with the singular card being exclusively maintained and utilized by the LHSC administrative coordinator, for all appropriate purchase orders and other necessary travel expenditures on behalf of LHSC.

Prior to charging such expenditures on the sole LaCarte card, LHSC has implemented a travel request protocol, where the nature, length and work-related necessity of the travel request must be made known at the time of submittal of the request and must be accompanied by relevant documentation, including, but not limited to conference registration packet, agenda, and itinerary which should also contain information regarding the inclusion of conference meals, so as to prevent reimbursement for already included per diem. Such requests are to proceed through a primary and secondary approval and reimbursement review process.

Regarding the findings for improper meal expenditures or overages, LHSC management has instituted measures to be in compliance with state regulation as well as federal law. First, LHSC management will educate staff about prohibitions against

Mr. Purpera
Page Three
November 8, 2018

personal expenses, adopting measures for meeting attendance and related food allowances, as to eliminate surplus purchases beyond the specific number of attendees. To reinforce this, LHSC management will engage DPS training resources to provide educational opportunities for LHSC staff. Additionally, LHSC management has instituted a dual expenditure review process, requiring first and second level approval by LHSC management for necessary food and drink expenses only for official meetings of the board of the LHSC or meeting during which technical information is provided. On those particular occasions, the LHSC management will specifically identify the nature of the meeting and require attendance and sign-in documentation in connection with such meetings.

Since the Procedural Engagement on these findings, LHSC has engaged and intends to consult with a team of experts in federal highway safety grants management to review LHSC policy and procedures for the purpose of implementing best practices in this and other areas of management and administration.

Since the Procedural Engagement and subsequent findings with minimal revised language by LLA reflect the same findings of the antecedent, proactive internal audit conducted by DPS, our responses here reflect the same responses and concurrence provided to the earlier report.

Sincerely,



Lisa Freeman
Executive Director, LHSC

LF/hs



JOHN BEL EDWARDS
GOVERNOR

KEVIN W. REEVES, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

December 20, 2017
DPS—02-01862-JS

Mr. Daryl G. Pupera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: DPS Public Safety Services – LHSC – Lack of Controls over Federal Cash Management

Dear Mr. Pupera,

Please allow this letter serve as the official response for the above mentioned audit finding for DPS - Public Safety Services.

The finding specifically identifies the lack of adequate controls to ensure federal funds were drawn according to federal regulations.

DPS concurs in part with the finding. The extended time period between the expenditure and vouchering of some of the claims were the result of issues that were outside of the agency's control. These issues include the delay in availability of deposits at State Treasury for agency classification, the bi-weekly limitations of OSRAP check issuance, and negative cash impact related to mandatory expenditures such as payroll, OTS billings, and LaCarte.

The finding also refers to "The Code of Federal Regulation (Title 31, Chapter II, Subchapter A, Part 205, Subpart b) which requires states to minimize the time between the drawdown of federal funds and their disbursement for federal program purposes. DPS believes this is subjective and we are in fact minimizing this timeframe for all processes that are within our control.

Additional oversight in the vouchering process at LHSC will enhance the accuracy of any federal cash draws. In order to alleviate the concerns related to federal cash management the following have been vetted by DPS Office of Management & Finance and LHSC:

- DPS Financial Services requested OSRAP approval to allow federal expenditures to be processed despite federal cash availability which would reduce the time period between the federal draw and disbursement and reducing the possibility of claim errors. OSRAP denied the request.


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- DPS Financial Services is working with LHSC staff on improving their processes and procedures in order to improve timeliness and accuracy in regards to Federal Cash Management. LHSC will begin vouchering only expenditures which have already occurred on a regular basis thus alleviating sub recipients payments being untimely. Seed funds will be utilized to cover these expenditures until federal voucher funds are received. The seed amount has been increased from \$2,000,000 for FY 2017 to \$3,000,000 for FY 2018.
- LHSC hired an additional accountant that will provide the function of peer reviewing the federal funds vouchers to ensure accuracy and reduce the risk overdrawn grants.

Implementation of these alternative measures is targeted for January 1, 2018. Any inquiries concerning these actions can be directed to Scott Erwin, Director of Financial Services, at (225)925-6279 or scott.erwin@la.gov.

Please contact me with any additional concerns or if more information is required at (225) 925-6032.

Sincerely,

LTC 

Jason Starnes

LSP Deputy Superintendent – Chief Administrative Officer

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P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Public Safety Services (DPS) for the period from July 1, 2016, through June 30, 2018. Our objective was to evaluate certain controls DPS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review DPS’s Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DPS’s accounts are an integral part of the state of Louisiana’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DPS’s operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DPS.
- Based on the documentation of DPS’s controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, capital assets, amusement ride fees, payroll and personnel, LaCarte purchasing card expenditures, expenditures of the Louisiana Highway Safety Commission, and statutory dedications.
- We compared the most current and prior-year financial activity using DPS’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DPS’s management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at DPS and not to provide an opinion on the effectiveness of DPS’s internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.